

# City of Detroit

## CITY COUNCIL

IRVIN CORLEY, JR.  
DIRECTOR  
(313) 224-1076

FISCAL ANALYSIS DIVISION  
Coleman A. Young Municipal Center  
2 Woodward Avenue, Suite 218  
Detroit, Michigan 48226  
FAX: (313) 224-2783  
E-Mail: [irvin@cncl.ci.detroit.mi.us](mailto:irvin@cncl.ci.detroit.mi.us)

ANNE MARIE LANGAN  
DEPUTY DIRECTOR  
(313) 224-1078

TO: C. Beth DunCombe, Director  
Detroit Building Authority

FROM: Irvin Corley, Jr., Fiscal Analyst Director

DATE: April 27, 2010

RE: 2010-2011 Budget Analysis

24.

Attached is our budget analysis regarding your department's budget for the upcoming 2010-2011 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Thursday, April 29, 2010 at 2:00 p.m.** We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:ss

Attachment

cc: Councilmembers  
Council Divisions  
Auditor General's Office  
Pamela Scales, Budget Department Director  
Norman White, Chief Financial Officer  
Renee Short, Budget Department Team Leader  
Gloria Caliman, Head Accountant-DBA  
Kamau Marable, Mayor's Office

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## **Detroit Building Authority**

### **FY 2010-11 Budget Analysis by the Fiscal Analysis Division**

#### **Detroit Building Authority Summary**

The City of Detroit Building Authority was created by the city under the provisions of Act 31, Public Act of Michigan of 1948, as amended. The Authority was incorporated for the purpose of acquiring, furnishing, equipping, owning, improving, enlarging, operating and maintaining city buildings (including but not limited to health and public safety facilities), automobile parking lots or structures (independently or adjunct to other buildings) and recreational facilities.

The Authority is authorized, by statute, to issue bonds to finance its activities. The bond principal and interest are to be paid, among other sources, through cash rental payments made by the city to the Authority. The city leases the facilities under a Full Faith and Credit General Obligation Contract of Lease with the Authority. When all bonds issued by the Authority have been retired, titles to several of the facilities are to be conveyed to the city.

The Authority generates its funding by charging an administrative fee, a percentage of each project and it is included in the project contract and project budget between the DBA and the city. Since the DBA staff are appointed by the Mayor and are quasi-city employees, they appear in the Non-Departmental budget in Appropriation 00277 - Detroit Building Authority. The appropriation budgeted for employee salaries and benefits are a 100% revenue offset to the General Fund. The recommended budget is \$1,046,365 for this appropriation for FY 2010-11, is a slight increase of \$53,166 (5.35%) from the current fiscal year (Pg 35-19).

#### **Special Commercial Area Maintenance Summary**

A second aspect of the DBA had been the Special Area Maintenance (SAM) Program. The DBA committed to "beautify" several commercial areas throughout the city with special lighting, landscaping, etc.

Initially, the SAM program was funded with tax levy as authorized under P.A. 31 (of 1948) and the 1980 agreement between the City of Detroit and the Detroit Medical Center Corporation (DMCC) with respect to the operation of Detroit Receiving Hospital. The debt on the Detroit Receiving Hospital bonds was retired during FY 1993-94 and the DBA ceased being a taxing authority beginning July 1, 1994. After that, the only remaining revenue stream for SAM was the collection of prior years delinquent taxes. In FY 1999-00, due to a lack of funds to maintain the SAM program, the Administration developed an exit strategy. The exit strategy to "wind down the SAM Program", includes the removal of special light fixtures and decorative pavement bricks in the SAM areas concluded in the 2004-05 FY.

In the recommended 2005-06 FY Budget, the SAM budget was eliminated, since the last of the fixtures in the last five areas left of the formerly 19 SAM areas were dismantled in the 2004-05 FY.

## Issues and Questions

In the 2010-11 FY, the DBA budget increases slightly by \$53,166 (5.35%). The increase is due primarily to a \$48,197 increase in employee benefits and an \$8,686 increase in Operating Service, offset by the elimination of \$3,000 in Other Expenses and a \$717 decrease in Salary & Wages.

The Mayor has not recommended any personnel changes for the DBA in the 2010-11 FY.

The DBA has 9 FTE's (Full-time equivalent employees).

### **Pg 35-17 Major Initiatives For FY 2009-10**

#### **Web-based Project Management System**

The DBA states that it launched a Web-based management system on December 11, 2008. Among the innovations this system will provide, the DBA states the system will eliminate redundant work and processes and will thereby provide a more efficient use of staff time.

- To-date, how has the implementation of the Web-based management system impacted the day-to-day operation of DBA?
- Has the implementation of the Web-based management system provided the DBA with any operational cost savings? If so, how much is projected in the current fiscal year? If not, why?

#### **Building Green**

According to the DBA, Building "Green" is the future of all construction. The State and Federal Governments have instituted mandated LEED (Leadership in Energy and Environmental Design) standards, a "Green" building rating system.

- Will the DBA have access to Federal Stimulus funds for City projects built under LEED standards?

### **Pg 35-18 Performance Measure- Outputs: Units of Activity directed toward Goals**

	2007-08 Actual	2008-09 Actual	2009-10 Projected	2010-11 Target
Higher efficiency (EECBG) Program	65%	50%	50%	65%

- The Energy Efficiency and Conservation Block Grant (EECBG) Program (referenced in the measure above), funded for the first time by the American Recovery and Reinvestment Act (Recovery Act) of 2009, represents a Presidential priority to deploy the cheapest, cleanest, and most reliable energy technologies we have energy efficiency and conservation. Has the City of Detroit applied for any of the Stimulus funding under this program?

**Pg 35-18 Performance Measure- Efficiency: Units of Activity directed toward Goals**

	2007-08 Actual	2008-09 Actual	2009-10 Projected	2010-11 Target
Contact Detroit Headquartered and Detroit Based Businesses	98%	98%	98%	90%

- The target for the objective detailed above, Contact Detroit Headquartered and Detroit Based Businesses, is expected to decrease to 90% in the 2010-11 FY, from the projected 98% of the three prior fiscal years. What is the rationale for this decreased target for the 2010-11 FY? What is the anticipated impact?
- Does the DBA enforce Executive Order 2007-1 in working with contractors?
- Does your agency currently have any cars? If so, how many cars will be turned in from your agency?
- How many employees who are turning in cars will be given a stipend? How many are currently receiving a stipend?
- What, if any, operational issues do you anticipate, due to the turning in of vehicles?
- Why were the vehicles in your agency not turned in during the last fleet reduction effort?
- Are there changes to the Charter that you would suggest that would improve your agency's efficiency?
- Is the DBA currently active in providing any services to the former Special Area Maintenance (SAM) Program areas?

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Attachment